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ABSTRACT

During 1996-97 each of the three branches of Wisconsin State government--the judiciary, the executive, and the legislative--experienced substantial activity regarding educational finance policies. After describing Wisconsin's current school-finance system, this paper examines Wisconsin school finance based on the 1996-97 actions of the judiciary, executive (Governor and Superintendent of Public Instruction), and legislature. In particular, the paper evaluates the depth and breadth of changes proposed or made to the state's school-finance system. A conclusion is that school finance continues to be a salient issue in Wisconsin; however, the "marginal" aspects receive the most attention. The reorganization of the Department of Public Instruction, which would have fundamentally changed the structure of education policymaking, and school-finance cases received less press than did court activity regarding the Milwaukee School Choice Program. In addition, both Superintendent Benson's and Governor Thompson's budget proposals only minimally change the school-finance system and do not deal with the state equalization-aid program. In summary, although all three branches of Wisconsin State government have seen much activity regarding education finance issues, the movement has not been directed toward substantially altering the current guaranteed-tax-base (GTB) system. Major change in financing school districts appears unlikely in the near future. Three tables are included. (Contains 15 references.) (LMI)

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THE STATE OF WISCONSIN SCHOOL FINANCE IN 1996-97

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THE STATE OF WISCONSIN SCHOOL FINANCE IN 1996-97

CONTEXT

American state governments are composed of three branches: the judiciary, the executive, and the legislative. Each of these branches has the capacity to affect change in education finance and educational opportunity for students attending kindergarten through twelfth grade (K12) in public schools. Indeed, in the last year, Wisconsin has experienced substantial activity in each of the three branches regarding educational finance policies. Some of these activities are implicitly structural: the Superintendent of Public Instruction submits a biennial budget request to the Governor; the Governor reviews the request and submits an education budget within the overall Governor's budget, that may include additional gubernatorial educational initiatives; holding the purse-strings of the state, the legislature reviews the governor's budget and may approve/disapprove it and may also create other educational policies; and, finally, the Governor signs the budget into law, possibly with vetoes[1] against various budget items. The sequence of the budget process requires at least a minimal level of activity among the executive and legislative branches of government. The courts, however, influence education finance only when called upon through legal suits against the state. Thus, the courts provide an imposing "threat" for the executive and legislature to create and implement a school finance system that is considered fair and appropriate.

After first describing Wisconsin's current school finance system, this paper examines Wisconsin school finance based on the 1996-97 actions of the judiciary, executive (Governor and

[1] The Legislature may over-ride the Governor's veto with a two-thirds vote in each house.

Superintendent of Public Instruction), and legislature. In particular, the paper evaluates the depth and breadth of changes proposed or made to Wisconsin's school finance system.

WISCONSIN'S CURRENT SCHOOL FINANCE SYSTEM

Before examining activities that propose to modify or question Wisconsin's school finance system, it is important to gain a solid understanding of the current system. Therefore, this section, discusses some basic facts about Wisconsin school districts and describes how the Wisconsin school aid programs work. This section ends by providing an analysis of school finance equity and fiscal neutrality for Wisconsin.

Basic Facts on Wisconsin's School Finance System

The vast majority of Wisconsin school districts (368) are K12 districts and these districts also contain the majority of students -- 817,374 pupils[2]. In addition, there are 47 elementary districts with 21,242 pupils and 10 high school districts with 9,987 pupils. For the most part, the high school and elementary districts are coterminous: a person living in a high school district will be taxed for the local revenues of the high school district in which s/he resides *and* the elementary district.

Wisconsin state general aid -- the bulk of state aid for K12 education -- is distributed using three school finance programs: integration, special adjustment, and equalization aid. State general aid funds a broad range of educational programs and is not intended specifically for any given purpose, as is the case with state categorical aid. Integration aid is distributed for intra-district and inter-district student transfers, however, the program only affects Milwaukee, and its

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[2] For the purposes of the state equalization formula, pupil counts are adjusted to reflect full-time equivalency for students within the school district.

surrounding districts. Special adjustment aid provides revenue protection for districts. Districts receiving less than 85 percent of their previous year's state general aid revenues are eligible for special adjustment aid. Although integration and special adjustment aid are considered state general aid programs for K12 education, the vast majority of state general aid (roughly 98 percent) is distributed through the equalization program. Because of its proportion, the equalization program is often, albeit not exclusively, the focus of attention in Wisconsin school finance.

Before beginning a detailed discussion of the state equalization program, state categorical aid warrants some description. State categorical aid is distributed for a multitude of programs, including children at risk, school library aid, driver education, school lunch, elderly nutrition, and school milk. However, the majority (over 80 percent) of state categorical aid supports pupil transportation, handicapped education, and bilingual/bicultural education. These programs are funded based on a percentage of their previous year's costs. The percentage not covered (and it varies by the three programs) is rolled into the district's equalized shared costs.

The equalization program is a guaranteed tax base (GTB) school finance system. Since 1949, Wisconsin has used some form of a GTB. GTB programs lower the tax price of educational services by providing relatively low property wealth school districts with the property wealth capacity of a wealthier district. In other words, a property poor district is able to tax its residents as if its tax base were of higher value and, therefore, the GTB lowers the tax rate without affecting the district tax yield.

In 1995, the state school finance system moved from a two-tiered GTB to a three-tiered GTB. This change was initially proposed by Governor Thompson and later ratified by the state legislature. The critical elements of the three-tiered GTB are highlighted in Table 1.

Table 1

Wisconsin's Three-Tiered GTB
1996-97 State Aid Year

	Guaranteed Tax Base[3] per Pupil	Shared Cost[4] Ceiling per Pupil
First Tier	2,000,000	1,000
Second Tier	569,584	5,936
Tertiary Tier	232,954	no limit

Source: Wisconsin Department of Public Instruction

Each tier guarantees a given tax base ranging from $2 million in the first tier to the statewide average per pupil property value of $232,954 per pupil in the third tier (or tertiary tier in Wisconsin parlance). In addition, the first and second tiers both have cost ceilings which limit the amount of school district per pupil spending for which the state will provide funding. For example, school districts can tax themselves as if their per pupil tax base were $2 million per pupil only up to their first $1000 in spending. Spending above $1000 per pupil (and all districts spend significantly above that amount) up to $5936 can be taxed as if the school district's per pupil property wealth were $569,584.

The tertiary tier has no cost ceiling associated with it. Thus, all districts spending above $5936 per pupil (the second tier cost ceiling) with per pupil property wealth *below* the tertiary

[3] All tiers of the GTB are higher for the state's high school and elementary school districts, three times higher and one and a half times higher, respectively.

[4] Shared costs are all district operating expenditures, including debt service and excluding state categorical aid.

tier are eligible for state aid in the tertiary tier (applied to the amount spent above $5936 per pupil).

Interestingly, for districts spending above $5936 per pupil and also have per pupil property value above the state average (or the value of the tertiary tier), state aid is reduced up to the funding provided under the second tier. This "catch" serves as a disincentive for higher wealth districts to spend above the secondary cost ceiling because the second tier state aid is lost and local taxpayers must make up the difference. State aid provided under the first tier of the GTB, however, is held harmless, or, in other words, remains unchanged. Table 2 provides examples from three Wisconsin districts on how the state negative aid works in 1996-97.

Table 2

Examples of State Equalization Aid Distribution, Local Revenues, and Local Tax Rate for Wisconsin's 3-Tiered GTB
1996-97 State Aid Year

	District Characteristics Per Member		State Aid Per Member			Local Aid Per Member & Tax Rate	
District	Equalized Property Value	Shared Costs	First Tier	Second Tier	Tertiary Tier	Revenues	Tax Rate[5]
Albany	173,137	6,081	913	3,436	37	1,695	9.79
Brown Deer	462,511	7,685	769	928	(928)	6,917	14.95
Elmbrook	607,955	7,228	696	0	0	6,532	10.74

Source: Simulated state aid based on data from Wisconsin Department of Public Instruction

As reflected in Table 2, some districts (Albany) receive state aid under all three tiers; while other districts (Brown Deer) receive state aid under the first and second tier only to have their second tier state aid taken back under the tertiary tier. Still another situation occurs for the few property wealthy districts *not* eligible for state aid under the second or tertiary tiers (Elmbrook). These

[5] The tax rate figures used throughout this paper are not necessarily districts' *actual* tax rate which include other factors, such as community services. Rather, the tax rates used here are based on districts' total local revenues from shared costs (the equalization program), divided by the districts' total equalized property values, multiplied by 1000 in order to get districts millage rate.

latter districts only receive state aid under the first tier and, as already discussed, districts cannot have their first tier aid reduced.

In 1996-97, no district in Wisconsin has per pupil property value under the first tier, so all districts receive some state aid under the first tier. Thus, the first tier basically serves as tax relief for districts -- even relatively wealthy districts. The second tier, at $569,584 per pupil, covers districts representing 98 percent of students in the state -- a robust guarantee to say the least! The statewide average used for the tertiary tier covers districts with 62 percent of the state's students. Quick mental math highlights the fact that districts with over one third of the state's students may receive negative aid under the tertiary tier -- no small number in terms of affected students and their educational programs. In terms of magnitude of the negative aid "hit", the state recovers almost $73 million in total state aid from the negative state aid element of the tertiary tier (in the 1996-97 aid year). While this only represents roughly two percent of total state equalization aid, it is over eight percent of local funds for affected school districts.

Adding to the mix of tiers under equalization aid, the state requires school district voter approval of local revenues above the state imposed revenue limit of $206 per pupil in annual increases for district spending. The revenue limits create some assurance that increases in the state equalization guarantees will, in fact, be used for tax relief and *not* necessarily commensurate increases in local spending. However, if approved by voters, the new district revenues remain at the higher level and local voters may be solicited by referendum as often as districts deem necessary. Rather than a state-imposed absolute revenue limit such as found in states like Arizona, California, or Washington, education spending in Wisconsin can be increased above the cost control amount by a simple majority vote of taxpayers.

Wisconsin's Status on School Finance Equity & Fiscal Neutrality

The previous description of Wisconsin's school finance system spurs questions about equity (distribution of spending across districts) and fiscal neutrality (how much district wealth affects spending). In Wisconsin, the equalization program (equalized property values and district shared cost spending) is generally used to assess equity because state categorical aid is excluded. As a result, the horizontal equity of the system (equivalent treatment of similar students) may be assessed. Measuring vertical equity (different treatment of students requiring additional/different educational services) proves more problematic (Berne & Stiefel, 1984) and is therefore rare. However, for an analysis of Wisconsin's vertical equity see Busch, Kucharz, and Odden (1996).

Odden, Busch, and Hertert (1996) and Busch and Odden (1996) found that the results of Wisconsin's equalization program reflect an equitable school finance system. On average, there were not wide disparities in shared costs per pupil across Wisconsin school districts. In addition, district per pupil spending was not strongly related to district per pupil property wealth. In fact, district tax effort, as reflected by district millage rates, were the most strongly related to school district spending. This is a desired effect of a GTB system because it substantiates the idea that tax effort -- not district wealth -- should determine educational spending. While the studies cited were conducted based on the state's recent two-tiered GTB, the equity results for the three-tiered GTB are consistent. Using common equity and fiscal neutrality statistics (Berne & Stiefel, 1984; Odden & Picus, 1992), Table 3 provides information based on equalization data from the 1996-97 state aid year, the first year of the three-tiered GTB.

Table 3

Wisconsin School Finance Equity and Fiscal Neutrality Statistics
1996-97 Aid Year

Number of Districts[6]	378
Number of Members	848,603
Equity Statistics for Shared Costs per Member:	
Average	6,106
Median	5,943
Minimum	4,476
Maximum	9,065
Range	4,589
5th Percentile	5,435
95th Percentile	7,384
Federal Range Ratio	35.9%
Coefficient of Variation	10.0%
McLoone Index	.95
Fiscal Neutrality Statistics for Shared Costs per Member:	
Property Value	
Correlation Coefficient	.62
Elasticity	.14
Tax Rate	
Correlation Coefficient	.91
Elasticity	.49

Source: Calculations from simulated data based on information provided by the Wisconsin Department of Public Instruction

In 1996-97, Wisconsin's average and median per pupil shared costs are $6106 and $5943, respectively, indicating a slight skewness of districts spending below the state average. In other words, more than 50 percent of per pupil spending can be found under the state average. The

[6] The actual number of school districts in Wisconsin in 1996-97 was 426. However, in order to accurately compare tax burden and spending, elementary and high school districts were merged for this analysis. Thus, Wisconsin's 47 elementary districts were merged in their coterminous 10 high school districts in order to simulate *K12* school districts. In addition, one school district (Norris) was dropped from the analysis because it is widely recognized as a school finance anomaly in Wisconsin.

lowest spending district spent at $4476 per pupil in shared costs while the highest spending district spent at $9065 per pupil -- over twice as much as the lowest spending district! However, simply identifying the districts at the highest and lowest spending levels may not fairly represent the entire state school finance enterprise. Thus, other statistics provide better systemic measures of school finance equity.

After ranking all districts from lowest to highest in per pupil spending, the 5th percentile spending district shows the per pupil spending of the district at the 5th percentile of students ($5435). The same principle is true for the 95th percentile ($7384). Thus, examining the 5th and 95th percentile district per pupil spending removes the influence of outliers. Using these numbers, the Federal Range Ratio takes the difference in per pupil spending at the 5th and 95th percentile and divides the difference by per pupil spending at the 5th percentile. So in the case of Wisconsin, the Federal Range Ratio demonstrates that the 95th percentile district is spending 35.9 percent more than the 5th percentile spending district -- not nearly as extreme a difference in spending as that found for the highest and lowest spending districts.

The coefficient of variation is the standard deviation divided by the mean in per pupil spending across the state. As such, it is a measure of dispersion around the average per pupil spending, and the smaller the coefficient of variation, the more similar (equitable) per pupil spending is across the state. The 1996-97 Wisconsin coefficient of variation is ten percent. A ten percent coefficient of variation indicates a remarkably equitable state school finance system with over two-thirds of the state's districts spending within ten percent of the state average (Odden & Picus, 1992)! Equally impressive, the McLoone Index targets the spending variation for districts under the median. The McLoone Index hypothesizes how much money it would take

for all districts below the median to spend at the median and then divides what districts actually spent by the hypothetical median value. Wisconsin's McLoone Index at 0.95 reveals that the margin of per pupil shared costs below the median is only five percent. This would be considered a highly equitable system according to school finance experts (Odden & Picus, 1992).

Wisconsin's fiscal neutrality statistics are also respectable. While the correlation in per pupil spending and district equalized property wealth is strong (0.62), the magnitude of the relationship is fairly weak. The elasticity of 0.14 indicates that, generally, each one percent increase in per pupil property wealth results in a 0.14 percent increase in per pupil spending, not a particularly strong relationship. Alternatively, the goal of a GTB program is to ensure that spending is determined by district tax rates and this relationship proves strong in Wisconsin. The correlation coefficient between per pupil spending and tax rate is 0.91 *and* the elasticity is 0.49. Thus, as intended by a GTB, local property tax rates -- not district wealth -- appear to be the primary determinant of spending.

While certainly not perfect, the fact that Wisconsin school finance system fares so well on horizontal equity and fiscal neutrality measures is important when reviewing recent judicial, executive, and legislative activities. A discussion of the endeavors of these three branches of Wisconsin state government follows.

JUDICIAL ACTIVITIES

The 1995-97 biennial budget served as a flashpoint for much court activity. In particular, the budget has sparked three legal cases. They are referred to in this paper as the Milwaukee Parental Choice Program, the reorganization of the Department of Public Instruction, and the

school finance case. Although the first case effects far fewer than one percent of Wisconsin's school children, it has received much attention in the local press, and has even become a nationally recognized case. In contrast, the second two cases address fundamental issues in school administration and in equalization aid to school districts, with the potential to impact the education of all of the students in the state, yet they have received surprisingly little attention in the press. This section summarizes the cases involving the Milwaukee Parental Choice Program and the reorganization of the Department of Public Instruction, for they are tangential to school finance and equalization aid, and gives more attention to the case regarding the school finance system.

Milwaukee Parental Choice Program

The 1995-97 biennial budget called for the expansion of the experimental Milwaukee school choice program from 1.5% of Milwaukee's student enrollment (approximately 1,500 students) to 7,000 students in 1995-96 and to 15,000 students in 1996-97. Another provision of the budget proposal was to lift restrictions on which private schools students may attend, which opened the doors of religious schools to interested students. Allowing sectarian schools to participate in the parental choice program brought a swift reaction from the American Civil Liberties Union of Wisconsin, the Americans United for Separation of Church and State, and various parents of Milwaukee school children and religious leaders of the area. Within a week they had filed a lawsuit objecting to the expansion of the choice program to religious schools because of the blurring of the lines between church and state insofar as tax dollars or any public funds would thereby benefit religious schools.

Ultimately, in March, 1996, the State Supreme Court heard the case and deadlocked on their decision regarding both aspects of the proposal: the expansion of the program to 15,000 students and the inclusion of religious schools in the program. Following the deadlock, the Supreme Court sent the case back to the Dane County Circuit Court and the injunction continued. In January, 1997, the Circuit Court Judge ruled that both provisions of the school choice program were unconstitutional: expanding the school choice program to church-run schools and expanding the non-religious/non-sectarian school portion of the program (from approximately 1,500 students to 15,000 students) violated the state constitution. The case now goes to appeal unless the plaintiffs persuade the State Supreme Court to take immediate jurisdiction and rule on the case, bypassing the state Court of Appeals. The concern is that the case will wallow in the Court of Appeals and not be resolved in time for the opening of school in the fall of 1997. Alternatively, bypassing the appeals court puts the state at risk of another deadlock at the Supreme Court level; with another deadlock the Circuit Judge's ruling would stand, and the expansion of the Milwaukee Parental Choice Program would be unconstitutional. (Jones, 1997).

Reorganization of the Department of Public Instruction

The 1995-97 biennial budget set off a second firestorm with its outline of a plan to reorganize the Department of Public Instruction (DPI). The Governor's plan was to transfer 600+ employees of the DPI to a newly created Department of Education administered by a Secretary of Education appointed by the Governor. This would leave the Superintendent of DPI with a five-member staff and responsibilities as the chairman of a not very powerful Education Commission. This commission would act in concert with the Secretary of Education to set educational policy for the state (Wisconsin Statute 15.37). Although chairman of the

commission, the Superintendent would not have the authority to remove the Secretary of Education from office.

It was apparent from newspaper accounts that there was some friction between the Governor and Superintendent. The Superintendent characterized the Governor's proposal as "a power grab that would subject education policy to political influence", while Thompson argued that it was legitimate and right that the governor should set the state's education policy (Lawrence, 1995). This attempt to radically change the responsibilities of the Wisconsin Superintendent of Public Instruction did not go unchallenged. A citizen's group filed a suit calling the law unconstitutional because it reduced a constitutional officer's duties without submitting the proposition to the voters for ratification.

In the spring, the governor's plan to revamp DPI was overruled. The State Supreme Court unanimously voted that the efforts to weaken DPI and the authority of the Superintendent were unconstitutional. The court's decision focused on arguments in the 1846 constitutional convention that gave educational supervisory power to an elected official and a reading of the constitution which implied that a "superintendent is not intended to be simply an advocate but an officer with the ability to put plans into action" (Wisconsin State Journal, 1996).

School Finance System

In October, 1995, the Association for Equity in Funding (AEF) filed a lawsuit on behalf of almost 100 Wisconsin school districts claiming the school funding formula is inequitable and violates the state constitution. The main bone of contention is the notion of equity as it applies to the tax burden and as it applies to the differential treatment of children with special needs. AEF argues that the school aid formula is unconstitutional, first, because it violates a provision that

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calls for schools to be as 'uniform as practicable' and, second, low and moderate income taxpayers bear a disproportionate tax burden.

As mentioned earlier, while many of AEF's findings are open to debate, this lawsuit regarding the state's school funding formula, which effects all Wisconsin children, has received surprisingly little press, in stark contrast to the Milwaukee Parental Choice Program, which effects a small percentage of Wisconsin's students yet has been of keen interest both locally and nationally. Despite its potential impact on almost a million students in Wisconsin, the school aid formula case has been mired in the court system for much of the past year. However, the case was given a breath of life by the Associated Press report published in early 1996 which found that "the school property tax relief plan takes millions of dollars away from poorer school districts and sends much of it to the wealthier districts of Republican legislative supporters" (Capitol Times, 1996). As expected, Republican legislators took issue with the report and were quick to refute all charges of favoritism or tampering with the formula.

Notwithstanding this brief flurry of activity, there has been little mention of this case until February, 1997, when the Association for Equity in Funding attempted to nudge the case along by asking the County Judge to issue a summary judgment on their challenge to the school aid formula, which would eliminate the need for a trial (Pommer, 1997). To date, the County Judge has not ruled.

Although the plaintiffs in this case challenge the equity assumptions inherent in the school finance system (equitable provision of education and equitable educational opportunities for all), the statistics presented earlier in the paper reflect a relatively equitable school finance system. The data supports both conclusions; the conclusion subscribed to depends upon one's

point of view, or "standard" for equity. If the data is studied with an aim to describe "the big picture", then statistics such as the coefficient of variation at ten percent is persuasive evidence of an equitable finance system. However, if, like the AEF, the data is studied with an emphasis on the outliers (characteristics of the lowest and highest spending districts), then the plaintiffs in this case can be persuasive. The determination of the equity/inequity of the school finance system depends upon the standards by which the school finance system is judged.

Despite the AEF's concerns over equity, they are far from calling for the dismantling of the present school finance system (i.e., the GTB). The AEF does not seem to question the integral structure of the school finance system but some of its auxiliary activities. Based upon their initial brief filed in 1995, it seems that the AEF's concerns can be addressed through nominal changes to the way in which state aid is distributed, such as the elimination of integration aid, revenue limits, and a program outside of equalization and general aid which provides credits for school levies.

The other two cases discussed above, the Milwaukee Parental Choice Program and the reorganization of the Department of Public Instruction, have had no effect on the school finance system, and little effect on most Wisconsin students, and can now be seen as tempests in teacups. The Milwaukee Parental Choice Program has been decided by a Circuit Judge and is now in appeal and the reorganization of the DPI issue has been decided. With the school finance system case still in the court system, the activities of the judicial branch have ground to a halt.

EXECUTIVE ACTIVITIES

In the case of public K12 education in Wisconsin, there are two executives: the Superintendent of Public Instruction and the Governor. Constitutionally, the Superintendent of

Public Instruction is a separately elected official heading the Department of Public Instruction (DPI). The Superintendent is responsible for: supervising elementary and secondary education; providing for the education of handicapped students; licensing teachers; monitoring federal education aid; monitoring the state standards; assessing student performance statewide; designing and administering the school finance system; and managing and governing the state schools for the blind and deaf. There is no state Board of Education in Wisconsin.

While the Superintendent clearly has school finance responsibilities, in Wisconsin (like most states), the Superintendent of Public Instruction has no independent revenue generating power, so s/he requests the K12 education budget initially from the Governor and ultimately from the Legislature. After receiving the Superintendent's budget, the Governor examines it and recommends a budget for public education to the Legislature. Using this same sequence for examining executive activities, this section will describe the major educational and budget initiatives of, first, the Superintendent's and, second, the Governor's 1997-99 biennial budget requests (DPI, 1997; DOA, 1997). Importantly, this list is not comprehensive. The Superintendent and Governor requested other budget and policy items. However, this gives a broad summary of their 1997-99 biennial budget requests.

Superintendent Benson

Superintendent Benson's major educational initiatives included high academic achievement and accountability (standards and assessments), teacher development, school-to-work, school choice and charter schools, early childhood education, technology, as well as some programs exclusively for Milwaukee, the state's largest school district. In addition to his

educational initiatives, the Superintendent also proposed changes to the current school finance system. His educational initiatives and school finance changes will be discussed below.

High Academic Achievement and Accountability. Highlights from the Superintendent's biennial budget request include additional funding to continue the DPI's efforts on the state 4th, 8th, and 10th grade knowledge and concepts examinations, as well as additional funding for the third grade reading comprehension test. He also requested funding to develop a state graduation test to begin implementation in 1999-2000. The graduation test would be aligned with the DPI's content, performance, and proficiency standards. Complementary to the assessment efforts, the Superintendent requested additional funding to support disseminating information on DPI's content, performance, and proficiency standards.

Teacher Development. The Superintendent requested additional funding for DPI to support a proposed new State Council for Teacher Development. The council would be composed of the Governor (or designee); the Superintendent; and representatives from the University of Wisconsin, private colleges, the Wisconsin Technical College System, and state associations of teachers, administrators, school boards, and parents. The council would annually develop a state plan and prioritize state policies for teacher development in Wisconsin. Teacher development centers were also a part of this proposal. The centers would provide professional development for teachers, with a priority initially set on training teachers in DPI's state content, performance, and proficiency standards and assessments.

School-to-Work. With the intent of better coordination between the state's many school-to-work programs, the Superintendent requested additional funding for DPI to support a new Wisconsin Industry Standards Credentialing Council which would: advise state agencies on

which occupations require standards; verify national standards; and establish a voluntary credentialing system. Other elements of the school-to-work "package" include more uniform data collection and tax credits for businesses hiring students for workplace learning experiences.

School Choice and Charter Schools. The Superintendent proposed statewide school choice. Currently, the only choice programs are those affecting Milwaukee and its surrounding districts. The Superintendent's proposed changes would allow choice for public schools within and between districts statewide. Wisconsin already has charter school legislation in place, so the Superintendent proposed changes to existing law, such as allowing regional cooperative educational service agencies to sponsor charter schools and additional funding for new DPI personnel and to create charter school implementation grants.

Early Childhood Education and Family Involvement. The Superintendent requested additional funding to support school family centers statewide. These centers would be places for parents and other family members to plan and implement programs. The Superintendent also proposed that all employers be required to release parents for non-athletic school activities (up to eight hours in each school year). Regarding early childhood education, he requested state supplemental funding for Head Start and an inflation adjustment for the state preschool to fifth grade program, as well as the ability for districts to count four year olds in their student counts.

Technology. The Superintendent proposed state bonding for school technology infrastructure. In addition, he requested additional funding for DPI to train teachers regarding technology.

Milwaukee Public Schools. The Superintendent requested additional funding for programs affecting Milwaukee Public Schools, including community health, leadership

development, minority teacher development, and authorization for Milwaukee Public Schools to borrow additional funding for facilities.

School Finance Changes. The Superintendent requested changes to the state's school finance system, including changes to state general aid and local revenue limits. Among other adjustments, under the policy intent of greater school finance equity, he requested a repeal of special adjustment aid and the hold harmless provision in the first tier of the three-tiered GTB. Thus, districts would no longer have protection from normal fluctuations in state aid and state aid in the tertiary tier could recapture state aid in *both* the first *and* second tiers, rather than just the second tier.

Another school finance adjustment proposed by the Superintendent regarded the state revenue limits. He proposed that the annual district revenue cap increases be set at the Urban Consumer Price Index (CPI-U). He also requested reducing the restrictiveness of the current revenue limit by permitting districts to raise revenues above the revenue cap with a two-thirds local school board vote. The amount that local school boards could raise above the revenue cap would be non-recurring and set at one percent of the state average base revenue per pupil.

Governor Thompson

In Governor Thompson's January 1997 State of the State Address, he stated, "For the first time in history, property taxes went down without income or sales taxes going up in exchange...They said it couldn't be done. I said it could. And we did it. Already, some are talking about walking away from the state's commitment to fund two-thirds the cost of local schools. No way. Not on my watch."

The link between property tax relief and the state commitment to fund two-thirds of education is critical to understanding recent school finance reform in Wisconsin. After all, the vast majority of local property taxes go to education, so changing the state school finance system directly affects local property taxes. Plainly, the Governor is keenly aware of this link. Thus, the three-tiered GTB along with revenue limits (both originally included in the Governor's 1995-97 budget request) were created to provide property tax relief.

Despite the courts having forced Governor Thompson to concede the duties of education to the Superintendent, the Governor is not precluded from education policy and unquestionably, the Governor has remained very active on education issues. Also in his State of the State Address, the Governor highlighted four principles of his current education reform initiative: 1) school accountability for student performance (standards and assessments); 2) parent empowerment for school choice; 3) educational programs that are relevant to the workplace; and 4) technology. The Governor's 1997-99 biennial budget supported these themes.

School Accountability for Student Performance. The Governor proposed a standards development council housed in the Office of the Governor. The council would include the Lieutenant Governor (chair), representatives of the DPI and Governor, chairs for the assembly and senate education committees (or their designees), and ranking minority members of the assembly and senate (or their designees). The standards development council would be responsible for developing model state standards. The council would begin their work using Modern Red Schoolhouse standards as a starting point. Modern Red Schoolhouse is one of eleven schoolwide designs of the New American Schools Development Corporation (NASDC), a 1991 creation of business leaders throughout the United States. NASDC designs are intended to

create "break the mold" schools to improve how public schools educate children. Academic standards are critical to the Modern Red Schoolhouse school design. Modern Red Schoolhouse standards are in eight core subject areas and all include an emphasis on technology: fine arts, English language arts, foreign languages, geography, health and physical education, history, mathematics, and science (NASDC, 1995; 1996). Of these eight, the Governor chose five as the model standards for the standards development council to work from: mathematics, science, English language arts, geography, and history.

After consideration of the Modern Red Schoolhouse standards (including revisions) by the standards development council, the Governor would have until October 15, 1997, to approve/disapprove the standards and issue them as an executive order. School districts would then be required to either adopt the state model standards or develop their own by August 1, 1998.

The Governor requested funding for a state graduation test, but *only* if it is linked to the standards approved by the standards development council. The Governor proposed that the graduation test would begin in 1999-2000. Additional funding was also requested for the state 4th, 8th, and 10th grade knowledge and concepts assessments and for the third grade reading test.

Parent Empowerment for School Choice. Along with recommending statewide school choice, the Governor requested an expansion of the charter school program. The Governor proposed expanding what entities can sponsor charter schools in Milwaukee to include the University of Wisconsin-Milwaukee, the Milwaukee Area Technical College, and the city of Milwaukee. Further, the Governor required that charter schools established by any of these entities receive the Milwaukee Public School's shared costs per pupil and that this amount be

withheld from state equalization aid to Milwaukee Public Schools. The Governor also proposed legislation affecting charter schools statewide, such as allowing charter school petitioners denied by their local school boards to appeal to the DPI and eliminating the requirement that ten percent of the district's teachers or 50 percent of a school's teachers agree to establishing a *new* school (not a converted, existing school). The Governor requested no additional funding for any of the school choice requests.

Educational Programs Relevant to the Workplace. With the intent of unifying and strengthening the school-to-work programs statewide, the Governor proposed that the DPI's school-to-work program (i.e., all its employees) be transferred to the Department of Workforce Development.

Technology. The Governor eliminated an old educational technology board and created a new one: TEACH - Technology for Educational Achievement in Wisconsin Board. In addition to the TEACH board, Governor Thompson's budget included annual educational technology grants and subsidies for educational technology infrastructure loans.

School Finance Changes. The Governor proposed setting $206 per pupil as the revenue cap for annual increases in per pupil revenues. This is in contrast to having the annual per pupil revenue cap set at the CPI-U.

The Governor's biennial budget also included a low revenue exemption. The low revenue exemption would be applied to districts with revenues per pupil under $5800 and $6000 in 1997-98 and 1998-99, respectively. These low revenue districts could exceed the allowable annual revenue increase of $206 per pupil up to $5800 (in 1997-98) and $6000 (in 1998-99)

without voter approval. This exemption ensures that historically lower spending districts are not penalized by the revenue caps.

Certainly, the Superintendent and Governor addressed many of the same themes in their education and finance policy initiatives (e.g., accountability, technology, alterations to the equalization program), however, they manifested their common concerns in different ways through their budget proposals. For example, both the Superintendent and Governor proposed a high school graduation test, but each aligned the test to different standards with the Governor ultimately proposing standards from a new standards development council, rather than DPI's standards. In addition, the Superintendent and Governor both proposed changes to unify the state's school-to-work program, but the Governor's request shifted the DPI's school-to-work program over to the Department of Workforce Development. The Governor mostly concurred with the Superintendent on statewide school choice, but made different changes to existing charter school laws, including creating an appeals process for charter schools denied by their local school boards. Ergo, some of the Superintendent's educational initiatives remained as policy goals in the Governor's budget, though altered in specific form. However, there were also several educational initiatives proposed by the Superintendent but completely dropped in the Governor's 1997-99 biennial budget, such as teacher development and Milwaukee Public Schools.

Regarding the school finance system, while the equity and fiscal neutrality analysis presented earlier indicates Wisconsin has an equitable state school finance system in both per pupil spending and taxpayer equity across school districts, further refining the equity goals continues to be a policy issue in the state: whether by eliminating the first tier hold harmless

(Superintendent) or through a low revenue exemption for the revenue caps (Governor). Nevertheless, both the Superintendent's and Governor's budgets continued to work within the overall framework of the three-tiered GTB.

LEGISLATIVE ACTIVITIES

The Governor's budget request is currently squarely in the hands of the Legislature. The legislative session is now deliberating the Governor's budget and it is yet to be seen how the politics will play out for the various educational programs in the state. Certainly, the legislative process allows Superintendent Benson to continue to pursue educational and school finance policies proposed in his original request to the Governor. However, the reality of the budget process is that the Legislature tends to work from the budget submitted by the Governor and it is very difficult to get new/past items on the budget agenda.

Outside the confines of the biennial budget process, the Joint Committee of the Legislative Council is currently seeing some activity regarding Wisconsin school finance. The Legislative Council is a legislative service agency that conducts research on various issues (usually from the legal perspective) for the Legislature. The Legislative Council recently created a special committee on the school aid formula. The committee is directed to "study the school aid formula and related aspects of school finance and recommend such adjustments *as are deemed appropriate*" (Joint Legislative Council, 1997, italics added). The committee has already met several times. Up to this point, it has heard mainly from the various constituents interested in the school finance system, including members of the law suit, educational interest groups (e.g.,

Wisconsin Association of School Boards), school finance experts from the university, as well as staff from the Governor's office.

CONCLUSIONS

School finance continues to be a salient issue in Wisconsin, albeit the "marginal" aspects of school finance are the most hotly debated. After all, the court activity regarding the Milwaukee School Choice Program received the most press -- far more than either the DPI re-organization or school finance cases. However, the DPI re-organization would have fundamentally changed the structure of education policymaking in Wisconsin. And although the school finance court case focuses on the *entire* school finance system (including the lion's share of state aid found in the equalization program), this court case has seen very little activity in the last year. Importantly, even here, the plaintiffs are not necessarily arguing for major restructuring of the school finance system, but instead appear to be working within the confines of a state GTB structure of school finance.

In addition, both Superintendent Benson and Governor Thompson have proposed budgets that only minimally "tweak" the school finance system, e.g., by recommending leniencies regarding the revenue cap. Looking back at the 1995-97 biennial budget, although hotly debated and considered a chief instigator for the school finance lawsuit, even the three-tiered GTB did little to change the central structure of Wisconsin school finance, namely the GTB. Thus, the Superintendent and Governor appear to remain committed to some form of a GTB school finance structure. Like the courts, their disagreements and activities regarding school finance occur at

the margins, mostly around the revenue caps and special programs of technology or school-to-work and *not* with the state equalization program.

Finally, the regular session of the Legislature is currently debating the Governor's budget, but there are no tangible results yet. Given that the Governor's budget includes few changes to Wisconsin's school finance system and the impending court case apparently continues to assume some form of a GTB, it seems unlikely that the Legislature will make significant changes. The special committee of the Legislative Council is the most likely avenue for major school finance changes in Wisconsin, but this committee has no specified deadline for completing its work.

In summary, while all three branches of Wisconsin State government have seen abundant activity regarding education finance issues, the movement has not been to substantially alter the current GTB school finance system. Given its longevity as a school finance funding system and the general satisfaction with the GTB, major change in financing Wisconsin school districts appears unlikely in the near future.

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